MINUTES OF REGULAR MEETING OF

THE REDEVELOPMENT COMMISSION OF GREENSBORO

TUESDAY, JULY 20, 2004

REGULAR MEETING

The Redevelopment Commission of Greensboro met in regular meeting in the Plaza Level Conference Room, Melvin Municipal Building, Greensboro, North Carolina, on Tuesday, July 20, 2004 at 5:09 p.m. Present were: Vice Chair Joe Wood, Scott Lilly and Nettie Coad. Dyan Arkin and Barbara Harris represented the Housing and Community Development Department (HCD). Jim Blackwood, Esq., was present as legal counsel for the Commission.

Vice Chair Wood called the meeting to order, introduced himself, and welcomed everyone to the meeting. He asked that anyone who wished to speak to come up to the microphone, identify themselves, and give their address.

1. APPROVAL OF THE MINUTES OF JUNE 15, 2004.

Vice Chair Wood asked if there were any corrections in the Minutes of the June 15, 2004 meeting, and no one made corrections.

Ms. Coad moved approval of the minutes of the June 15, 2004 meeting as written, seconded by Mr. Wood. The Commission voted 3-0 in favor of the motion. (Ayes: Wood, Lilly, Coad. Nays: None.)

3. EASTSIDE PARK NEIGHBORHOOD. ACQUISITION OF 1851 SPENCER STREET. (STAFF AUTHORIZED TO OFFER THE OWNER THE APPRAISED VALUE FOR THE PROPERTY)

Ms. Arkin said this property consisted of a 6-unit apartment building on a 22,552 square foot site. The appraiser estimated the value of this property at $141,000. The reviewer requested minor revisions, which were addressed and had no effect on the opinion of value for the property. The reviewer concluded that the value estimation was reasonable and sound. The Commission was asked to set an offer price of $141,000 for this property.

Vice Chair Wood asked if there was anyone present who wished to speak to this item.

Robert Johnson, 7586 Cassidy Way, Summerfield, said he was the owner of the subject property. He referred the Commission to the appraisal and said the appraiser had forecast the monthly income for this property at $2,010. The actual income from that property in 2003 was $26,270. He said he had with him his Schedule E from his Federal Income Tax that shows that was the actual income from that particular piece of property. Deducting the amount of the estimated expenses, the net income from the subject property would be $17,451. Using the same formula as the appraiser, then the estimated value of the property would be $175,061. He said he had no qualms with the appraisal, only the estimated income from the property.

Mr. Lilly told Mr. Johnson to look further in the calculations. The appraiser carried the $2,010 out for 6 months and it came out to $24,120, not $2,010. The difference between the appraiser's $24,120 and Mr. Johnson's $26,278 would be $2,158.

Vice Chair Wood said Mr. Johnson would have to factor in his number too as to the vacancies and collection loss at 5 percent.

Mr. Johnson argued that he did not have to put that in there because he was showing the actual income from that property, not an estimate as the appraiser did. He also said when the tenants heard rumors that the building might be sold, two of his tenants asked him about it and he said he knew nothing about that. The next day, he received the Commission's letter and he spoke with someone in HCD. A week later, one of his tenants moved out because of this. They wanted to get a jump-start on that and it cost him money. That apartment has been vacant since then.

Vice Chair Wood said this went to what Ms. Coad had said in earlier meetings, that when the Commission announced that it wants a property, it basically does no favors for the owners of the property. He asked if this property was on the acquisition plan?

Ms. Arkin responded "correct." She thought this was a property that was added last year.

Ms. Harris said the first notice of the Commission's intention to acquire the property was sent in February 2004. She said the first notice went to 3108 Amber Drive in February.

Mr. Johnson said he no longer lived on Amber Drive and the first notice he had of this acquisition was April 4, 2004.

Ms. Harris said that was the second correspondence that had been sent.

Vice Chair Wood said in the future when a property owner is notified, it should be done not only by first class mail, but also by certified mail so the owner or someone on his behalf will have to sign for it and staff will have a record.

Vice Chair Wood moved that the Commission instructs staff in the future when staff notify property owners that the Commission wants to purchase property that it be done by certified mail, which will cost the City $2.30 as opposed to $.37, instead of by first class mail and the property owner had to sign for it, seconded by Ms. Coad. The Commission voted 3-0 in favor of the motion. (Ayes: Wood, Lilly, Coad. Nays: None.)

Ms. Harris said the first notice was also sent by certified mail, but was not signed for. Subsequently, she obtained the owner's new address and the second notice was also sent by certified mail.

Ms. Arkin said staff generally did sent notices to owners by certified mail. There are certain ones on which staff is required to do so and certain ones on which they are not legally required to do so. Sometimes the ones that staff is not legally required to may go through just first class mail. Staff will be happy to send everything certified mail.

Vice Chair said to Mr. Johnson that he sympathized that this had put a strain on him and if Mr. Johnson felt the property was worth more, he was fully entitled to get another appraisal and submit it to

this Redevelopment Commission for review and consideration. The Commission will have it reviewed by an outside appraiser, but for purposes of at least setting the process in motion (this is not to say Mr. Johnson had to do this within the next 30 days), he would have some amount of time to get another appraisal and bring it back to this Commission. Mr. Johnson would be perfectly within his rights to do so. However, for purposes of setting this in motion, he asked for a motion from the Commission.

Mr. Johnson said he had no qualms with the appraisal, but simply the figures used by the appraiser in his calculations.

Counsel Blackwood said in Mr. Johnson's Schedule E, looking at the appraisal, he had $25,278 reported on his 2003 Schedule E. The appraiser used $24,120, but he only forecast estimated expenses of $8,800, whereas Mr. Johnson's Schedule E shows expenses of $13,300, not taking into account depreciation. Counsel Blackwood said Mr. Johnson actually had net income less than the appraiser was showing on the appraisal.

Vice Chair Wood pointed out that after adding back the interest on the mortgage, according to Mr. Johnson's Schedule E, his net income for the property in 2003 was $10,500 of net income and the appraiser gave him credit for $14,100. So the appraiser was being generous in the amount of $3,600 as to how much income Mr. Johnson was actually deriving from this property. He also reminded Mr. Johnson that depreciation was an expense.

Mr. Lilly said in the Commission's case, Mr. Johnson would need an appraisal that he could stand behind. He told Mr. Johnson to go ahead and get his appraisal and submit it to the Commission. The Commission will have a review appraiser make sure that it was done properly and if the appraiser was certified, that would be no problem. Then the Commission would have two or three opinions and could say, "All right, we will try to find something fair." The Commission was not out to rip people off, that was for certain.

Ms. Coad moved that the Commission authorize staff to offer the appraised value of $141,000 for 1851 Spencer Street, seconded by Mr. Lilly. The Commission voted 3-0 in favor of the motion. (Ayes: Wood, Lilly, Coad. Nays: None.)

Mr. Johnson asked that he be sent a copy of the minutes for this item and the Court Reporter assured him she would do so.

2. ARLINGTON PARK NEIGHBORHOOD. CONSIDERATION OF BIDDING PROCESS FOR 1700 MARTIN LUTHER KING, JR. DRIVE. (BIDDING PROCESS TO BE RESTARTED USING THE STATUTES AND RULES OF THE COMMISSION TO GOVERN UPSET BIDS.)

Ms. Harris said two parties have been bidding on this property and the bid has escalated from the original $25,000 offering to a recent bid of $50,000. One of the bidding parties challenged the acceptability of the other parties' bidding documents. After consulting with legal counsel, staff determined that a bid package, which had been accepted and advertised, included an error in the financial submittal. The error related to the inclusion of a $30,000 city loan in the bidder's financing plan. Bidding requirements only allowed up to an approximately $27,000 city loan, based on this loan not exceeding 20 percent of the estimated rehabilitation cost of the project. The bidding process has

been suspended pending presentation of these facts to the Commission. The Commission was asked to review the current status of bids for this property and provide direction on the process to be used to complete the sale of the property.

Counsel Blackwood said it had been his advice since this had occurred and it was based on an error that was not picked up during the bidding process, whether or not the bidders would have been able to have corrected the error and what they were showing was assumed to be a $30,000 grant and the calculations for this amount of rehab only comes up to $27,000, whether it be cash or loans or whatever, would have had to have been another $3,000 to make up the difference. Nobody picked it up; therefore, their documentation was incorrect, but they may or may not have been able to substantiate a commitment for lending. However, because of the irregularity, it was his recommendation that the matter should cease, stop the advertising for continued upset bids, and it was his recommendation to the Commission that at this point the Commission should simply reject all bids and start over because of the irregularities. He thought that was the only fair way to treat everybody. He said the period allowed for upset bids was 10 calendar days from the date of publication. However, when this started out, it was treated as 10 business days. As he understood it, there were only 2 parties bidding on the project. Both of them had been advised all along, but they had said that was all right; they would just go forward with the 10 calendar days and ignore that it had been treated as 10 business days.

Vice Chair Wood asked if either of the two bidders wished to speak to the Commission on this Item?

Monica Bentham, Esq., 11 Mahogany Court, Brown Summit, NC, said she was representing Darryl and Barbara Washington. She handed out some materials for the Commission's consideration. She went over the points with which the parties were in agreement, the same being conducted in accordance with Statutes quoted and regulations of this Commission. Each of the bidders received the Commission's instructions. During the process, she thought that both of the Statutes were cited a number of times and they pulled those. Statute 158-269, which is the Statute that governs the actual sale and publishing of bids and the upset bid period, refers to a qualifying upset bid. The Statute itself does not give a lot of guidance on defining that, but they submitted that the instructions very specifically indicate what is to be included in a qualified bid. The Commission itself set forth each item and each element that must be submitted in order for a bid to be qualified. Basically, their argument was that there are substantive defects with not just one, but each of the bids that were submitted by the Edwards and there is also the procedural defect at each stage of the upset bid periods with regard to the 10 days. The substantive defect was the $30,000. The procedural defect was the 10 business days for upset bids.

Starting with the substantive defect of $30,000, in the instructions for bidding, page 2, it said that a second mortgage is being offered in the amount of up to $30,000. It goes on to explain the calculation of that eligible amount, which would be either 20 percent of the after rehab value, which is unknown at this time, or 20 percent of the total rehab cost estimated by each purchaser and each purchaser had been required to submit those estimates in the beginning. In the Edwards' case, they submitted several sets of budgets for the amount that they estimated that total rehab cost to be. In the documents handed out, Attorney Bentham said she did a summary of the Edwards' budget plans so that the Commission would be able to see in terms of the numbers the discrepancy that existed. This process now has spanned more than 3 months and the Washingtons' position was that from the very first upset bid, there had been substantive defects in the bid with regard to these eligible funds. Three different budgets have been submitted during the course of this process. The first budget was submitted with

the initial upset bid of $26,300. She said the numbers reflected the estimates that were given and the actual budgets that were submitted. At each of the submittals, the budget did not reflect the proper

allocation for those monies. In the first budget submitted, she understood that Dan Curry had a concern its being under-budget actually for the plans that they had submitted and requested a revision of the budget to more accurately reflect the correct figures. They submitted the revised budget, which was actually Budget 1. If you will notice in Budgets 2 and 3, the contingencies are decreased each time. So the total rehab cost goes down each time a new budget is submitted. New plans were not submitted to show a change in construction or to show that something was different to justify a lower cost, but the cost kept going down. In fact, every time a revised budget was submitted, the amount that they were eligible for decreased. However, in every budget that was submitted, they used the full credit of the $30,000 City funds. It was her understanding that the Washingtons pointed out this discrepancy after the first budget; that this was not something that came up again on the last budget. The Washingtons received no response to their inquiry. This came up with the revised budget was submitted. She said her point was simply that these challenges have been made throughout the process and it is not something that at the 11th hour, the Washingtons are trying to scramble a way to be the highest bidder. Every time they had a concern or a challenge to these budgets, it was raised and every time there was no response given.

Attorney Bentham said the Washingtons' position, based on the irregularity in the budget, was that, although small in dollars, the discrepancy renders each of those bids as unqualified bids pursuant to the instructions and pursuant to the Statute. The instructions said that the prospective purchaser has to submit a financing plan and has to provide evidence of all sources of the money that they are going to use. That was not done in these budgets because every time a budget was submitted, it was based on a financial plan that included full credit for the $30,000 City funds for which the Edwards would never have been eligible based on their construction costs. In that regard, the Washingtons' position was that after their very first bid, there has not yet been a qualified bid submitted to upset their first bid of $25,000 and that they were, in fact, the highest bidder at the $25,000 because these bids were not qualified.

Attorney Bentham said the second defect was procedural. In the packets handed out, she had done a calendar for the Commissioners. Again, with the day counting, this started very early in the process after the first upset bid period. Ms. Washington researched and raised this issue, but again was never given any definitive reason that the business days were used. On the calendar, she had highlighted the days that were being used.

After the Washingtons submitted their first bid, Mr. Curry had some questions and contacted them for additional information. The revised information was submitted. Mr. Curry then had inquired as to the use of the building. Ms. Washington was an attorney and her husband a consultant, and Mr. Curry wanted to know how those uses were going to be divided in the building. The third question from Mr. Curry was regarding Mr. Washington's residential contractor's license, which he thought would be insufficient since it was a commercial project, and the Washingtons had to get a general contractor.

The Washingtons' offer was accepted on April 13. It was first published for upset bids on April 18. Ten calendar days from the date of publication would have been April 28. However, on April 29, or the 11th day, Mr. Curry approved the Edwards' upset bid of $26,300. There is a letter in the Edwards' file stating that the deadline is not until April 30.

Counsel Blackwood said that really was not the problem. Neither of these are really a problem although he believed it was helpful for the irregularities in considering the Edwards' bid package had been pointed out. It made no difference whether the Washingtons' bid package had any irregularities; they may both

have. He said all he suggested, and actually she is making the whole reason why he said it, that all of them be rejected and start over. The Commission has the absolute, sole discretion to reject all bids and start over.

Attorney Bentham said her argument was leading to the point not that they should start over, her argument was leading to the point that there has never been a qualified upset bid of their first bid.

Counsel Blackwood said that did not matter because he was still recommending, because of the way it was handled, that the Commission, which has the absolute right at any time, whether it was a good bid or not, just to change their mind and pull the whole thing. That was what he was recommending that the Commission do. He didn't care whether from the beginning the Washingtons' bid may have been acceptable or not. At this point, it is obvious that things have gone forward in a manner that is not acceptable and it should simply just be started over.

Attorney Bentham said her response to that would be, on behalf of the Washingtons, why not make the resolution enforcement of the rules instead of scrapping the process? That was the only point she thought that they were making. This has gone on for 3 months and it was not a process that had just got out of control, it was a process that was challenged at every step and never addressed until this point. Understanding and respecting the Commission's discretion, another solution is to enforce the rule, which was that only qualified upset bids be accepted and their position is that none were ever submitted.

Ms. Coad said it looked like Mr. Curry had asked for more information on both of the bids, meaning that a bid was not complete. Therefore, there were discrepancies in both bids. Does it not seem fair to just do the process again?

Attorney Bentham pointed out that after he accepted the revised documents for the Washingtons' bid on April 13, Mr. Curry requested no more information and their bid was complete. Therefore as to, "Is it fair?", clearly her clients do not think it is. That is because they did what was asked of them, their offer was accepted; it was approved. As each of these upset bids came in, they challenged it, they made their voice known and no response was made to their challenges. She added that if the Commission accepts Counsel Blackwood's recommendation, she thought it was imperative at this point that the Commission takes a stand now on what the rules are, put them down so that everyone is playing by the same rules. The Washingtons' position is that they have submitted the only acceptable, qualified bid and that there bid had not been upset, but they understand that the decision is with the discretion of the Commission.

Ms. Coad said she agreed with the policy and instructions being clearly defined.

In response to a question from Vice Chair Wood, Counsel Blackwood said he could not answer for Mr. Curry because actually he could not remember the last time anybody upset a bid, so that is probably part of where the miscalculation was made. On the other hand, he had spoken to Ms. Washington and he told her that it should be 10 calendar days so he knew that he told her the correct thing. However, that was a month and a half ago when that came up and it was his understanding that the Washingtons were willing to go ahead, knowing there had been that miscalculation. There was a

miscalculation and that was why he was recommending that everything be taken back and started all over. The issue was that it was not handled correctly and the simplest solution was to start over again and go forward as the Statutes and rules require in terms of the bid package.

Attorney Bentham said even after Ms. Washington had pointed out that the upset bid period should be

10 calendar days, thereafter the 10 business days were continued to be used in subsequent advertisings.

Counsel Blackwood said the issue about the 10 business days did not come up until sometime in May or the first of June.

Attorney Bentham said Counsel Blackwood may not have spoken to Ms. Washington about the matter until the end of May or first of June, but the issue came up on April 29 when she called to find out if their bid had been upset.

Counsel Blackwood said he would be glad to pull his records. However, it was his understanding that Ms. Washington was willing to waive the issue about the 10 business days and both parties were willing to go forward even though they were aware it had been misstated. The Statute says 10 calendar days and because of everything else, it just makes sense to go back, start over and do it the way the Statute and the bid package says it is supposed to be done.

Vice Chair Wood asked if there was anyone else from the public who wished to speak to this matter, and no one came forward.

Mr. Lilly said the objective when the Commission set out to do this was to get the highest bidder. An error was made in the parameters that were used for that, so they weren't playing with the same rules on both sides. He didn't see that the Commission had any choice except to clarify the rules and then start over and it goes to the highest bidder, in accordance with the 10 calendar days and all the regulations.

Mr. Lilly moved that the Commission reject all bids as to the subject property, seconded by Ms. Coad. The Commission voted 3-0 in favor of the motion. (Ayes: Wood, Lilly Coad. Nays: None)

Vice Chair Wood said he would entertain discussion as to the parameters for restarting this bid process.

Mr. Lilly said he thought the bidding process should be started with the same minimum offer of $25,000.

Ms. Coad said she agreed with Mr. Lilly.

There was then a discussion as to when a bid was qualified, which was explained by Counsel Blackwood.

Joy Edwards, 3100 North Elm Street, said she had listened to everything that had been said. She said their offer was rejected because of the shutters, the mismatched windows and garage doors. Those proposals were submitted before the 10th business day as they were going with at the time. Because

the 10 business days had not expired, that gave them time to make some revisions and still be within the 10 business days.

Vice Chair Wood said that both parties now knew what the rules were and what they have to do. He suggested that the bidding process be started with the minimum bid of $25,000. He asked staff to please adhere to the rules. When a bid comes in, there should be someone to time stamp it and received it. The bid must be complete when received and there will be no chance to go back and fix whatever might be questionable by staff.

Counsel Blackwood said he would suggest that if anyone were making an upset bid and if anything has been changed from the proposal made before, other than verification of whatever numbers are being put in the package, submit the bid early in order to make certain that if staff finds something that needs a change, it can be changed before the 10 calendar upset bid expires.

Mr. Lilly moved that the Commission restart the bidding at $25,000. If and when an upset bid is received, it should be time stamped and the first bidder notified that the upset bid has been received, whether the upset bid is qualified or not, and if the existing bid stands.

Counsel Blackwood said when a bid is upset and you were the prior higher bidder, were you notified the bid had been received and it was going to be published as an upset bid? Staff should be doing this because if nothing else, it generates continued bidding interest in it and he thought that was what staff was doing.

Darryl Washington said there was no consistency in publishing the notice in the newspaper.

Ms. Edwards said she understood that staff was not just looking at 1700 Martin Luther King, but they also have a pile of other problems at which they are looking and staff might not be able to look at the upset bid the day or the day after it comes in.

Vice Chair Wood said the motion is that the bid process be restarted at a minimum of $25,000; that as the law stated, 10 calendar days for upset bids; when staff receives a bid, they sign for it, date and time stamp it and inform the other party; that staff should use due diligence in determining whether or not the bid is qualified and use due diligence in getting it into the correct publication so that it can be advertised.

Counsel Blackwood said it would be his recommendation that you not approve the motion that way. He did not want to get into an issue as to whether or not due diligence was used. He suggested that the Commission simply instruct staff to restart the bidding process at a minimum of $25,000 and that the appropriate Statutes and other procedures be followed as required by law.

Vice Chair Wood said he did want in the motion that each bid package was signed for and date and time stamped and that the other party be notified that a competing bid or an upset bid has been received. The motion as restated by Vice Chair Wood was seconded by Ms. Coad. The Commission voted 3-0 in favor of the motion. (Ayes: Wood, Lilly, Coad. Nays: None.)

4. EASTSIDE PARK NEIGHBORHOOD. ACQUISITION OF 218 YORK STREET.

Ms. Arkin said this was a single-family property on a 6,250 square foot lot. The original appraisal for this property provided an opinion of value of $25,000. The reviewer found the estimate of value reasonable, but rejected the appraisal because it did not include the Income Approach. In reference to the Income Approach, the original appraisal included comments from the appraiser that, "Although subject property has been rented to the same tenant since 1991, it is considered uninhabitable by government regulations. Tenant is currently paying $300/month, however, it cannot be considered income producing property in its present condition." The appraiser resubmitted the appraisal, included application of the

Income Approach, and offered a "Subject to Repairs" value estimate of $41,000. The reviewer concluded that the second appraisal, while providing a proper application of the Income Approach, was not acceptable because it estimated the value of the property "Subject to Repairs," and did not furnish a final estimate of value "as is" for use in estimating just compensation in an "as is" condition. The reviewer recommended acceptance of the first appraisal's value estimation of $25,000 based on "as is" condition, with the estimated GRM from the second report for use in applying the Income Approach, which provided an adequate basis for estimating just compensation. The Commission was asked to set an offer price of $25,000 for this property.

Ms. Coad moved that the Commission authorize staff to offer the appraised value of $25,000 for 218 York Street, seconded by Mr. Wood.

Mr. Lilly asked if the Commission has a rented unit that does not meet Code? What does Code Enforcement say about this?

Ms. Arkin said she did not know.

Mr. Lilly said he was not about to purchase a property that does not meet the Code. He felt Code Enforcement should have been on this.

Vice Chair Wood said the Commission has purchased a lot of houses that did not meet Code.

Mr. Lilly said that was the reason they were in a lot of problems because there had not been Code Enforcement.

Ms. Arkin said if Code Enforcement condemned the property at this point in the process and the owner chooses to fix it up and we reappraise it, then we pay more for the property that we are about to demolish.

Mr. Lilly said he had been talking about the Code Enforcement problem with City leaders for years.

Ms. Arkin said unfortunately she felt it was a lose/lose situation. The principle of it was very clear and valid.

Vice Chair Wood said that was why the Commission was here. It was going to take all these rotten, blighted properties that do not meet the Code and it is going tear them down and put up some quality housing or offer the land to somebody who will put up quality housing.

Mr. Lilly said in the name of progress, he knew where they were going, but he was not going to vote for it. He said he hoped that resonated back to Code Enforcement.

Ms. Arkin said it would.

Ms. Coad said she would join Mr. Lilly in Code Enforcement. She went riding looking at the houses and her neighborhood was just full of possibilities.

Vice Chair Wood called for a vote on the pending motion. The Commission voted 2-1 in favor of the

motion. (Ayes: Wood, Coad. Nays: Lilly.)

Ms. Arkin said the Commission was free to direct staff to discuss this particular piece of property with LOE.

Counsel Blackwood asked what was the intention for this particular piece of property?

Ms. Arkin said currently the intention was demolition to assemble a site for redevelopment. The redevelopment planning has not taken place. It is about to start with the neighborhood, so it could be single-family, it could be multifamily, etc.

Ms. Coad said she had a problem with the whole thing. In HOPE VI, all of these people, Gorrell Street, Bingham Street, McConnell Road, all the way up Washington Street, Perkins Street, all these people were involved in meetings when this whole thing started. All these people went to one of the recreation areas for meetings and were involved in the HOPE VI plan. These people were told that different phases of this would take place. This was where the whole idea that their property was going to be taken was heard. The Commission went into a new house on this same street on its tour and just to think that we still have property down there where there was no process in place so the owner could fix it up.

Vice Chair Wood said his problem was that some of these people have had two or three years to plan because they know their property is going to be taken and can start thinking about what they want to do. The gentleman who came in on the Spencer Street property had the first notice sent to him in February and then he has only a couple or three months to make other plans.

Ms. Coad said Spencer Street was part of the initial plan. She did not know in which phase Spencer Street was placed, but the whole thing included his property.

Ms. Arkin advised that 1851 East Spencer Street was not included in the original plan.

Mr. Lilly said the property owner had a risk to take. If they stop taking care of their property and it does not meet Code, Code Enforcement can condemn the building.

5. WILLOW OAKS NEIGHBORHOOD. ACQUISITION OF 1605 McCONNELL ROAD.

Ms. Arkin said this was a single-family, owner occupied property on a 12,621 square foot lot. The reviewer recommended rejection of the original appraisal because it did not include application of the

Income Approach and did not provide an adequate basis for estimating just compensation. The appraisal was revised and the reviewer recommended acceptance of the appraisal as amended. The

appraiser provided a value estimate of $40,000 and the reviewer concurred. The Commission was asked to set an offer price of $40,000 for this property.

Mr. Lilly moved that the Commission authorize staff to offer the amended appraisal value of $40,000 for 1605 McConnell Road. The Commission voted 3-0 in favor of the motion. (Ayes: Wood, Lilly, Coad. Nays: None.)

6. WILLOW OAKS NEIGHBORHOOD. ACQUISITION OF 1607 McCONNELL ROAD.

Ms. Arkin said this was a single-family rental property on a 10,530 square foot lot with an estimated market rent of $350/month. Acquisition of this property was presented for the Commission's consideration at the May 18, 2004 regular meeting. At that time an appraisal had been completed with an opinion of value of $40,000. The reviewer disagreed with the appraiser's opinion of value based upon reviewer's opinion that the subject property was very similar to the property next door (1605 McConnell, which the reviewer had personally appraised). The reviewer offered an opinion of value of $30,000 for 1607 McConnell, subject to repair of a broken sewer line. At the May 18, 2004 Commission meeting staff requested that the Commission set an offer price at $30,000. The Commission requested that staff obtain a second appraisal. A second appraisal report has been obtained and reviewed. The second appraisal provides an opinion of value of $27,000 and the reviewer concurs that this value estimation is reasonable. The Commission was asked to set an offer price of $27,000 for the property.

Mr. Coad moved that the Commission authorize staff to offer the appraised value of $27,000 for 1607 McConnell Road.

Vice Chair made a counter-motion that the Commission reject the appraisal of $27,000 for this property, seconded by Mr. Lilly.

Vice Chair Wood said this has been the most convoluted thing. The review appraiser the first time out said, "You undervalued this house. It should be worth at least as much as next door and that was appraised at $40,000, subject to the sewer line being repaired." Then they come back again with a new appraisal, not at $30,000, but at a less amount of $27,000. Now granted, the lot is 2,100 square feet smaller and was not on a corner. He reviewed this over the weekend. He compared them and not only is this house worth $13,000 less, but it is a bigger house. It may sit on 2,100 less square footage and was not a corner lot, but it was a bigger house. They had both reached the end of their existing useful life. The effective age of one house is 67 year old and the other was built at approximately the same time. He said he just had real problems with it at this juncture.

Vice Chair Wood said the original appraisal was $30,000, which the review appraiser said was not enough. Another appraisal was made for $27,000 and the review appraiser concurred with this amount. He wanted it on the record that somebody couldn't count their ass twice in a row and get the same number.

Counsel Blackwood asked if he could make a statement? He asked if the Commission knew what review appraisers do? They look at whether or not the appraisal was done in the correct format and they are not supposed to be themselves injecting their own opinion as to values. As opposed to auditors, he thought auditors would go into whether or not they thought the numbers were

right and whether or not things were missing. But a review appraiser was not making an appraisal; he was just simply reviewing the process used by the appraiser before him. He said this had been a problem all along in that the appraiser of 1605 was the review appraiser on 1607.

Ms. Arkin said she took responsibility for that error and had made every effort not to do that again.

Counsel Blackwood said there still was the problem of appraising two properties that were adjacent to each other and coming up with a wide variation in appraised value.

Ms. Arkin said there were two appraisals on 1607 that came up within $3,000 of each other. One appraisal on 1605 had came up at $40,000, $10,000 more than 1607. Unfortunately, she said it was not that unusual to have two houses next door to each other that appraise for this much of a difference. It could be deferred maintenance; it could be a lot of things.

Counsel Blackwood said he was under the impression from the way everybody talked about the appraisals that the properties were substantially similar in terms of improvements. The lot size, in all honesty, has little impact on the value.

Ms. Arkin said they were very similar in terms of the improvements. If there were deferred maintenance on the rental as opposed to deferred maintenance on the owner-occupied, she would not find that surprising. An owner-occupied house often will maintain that house at a higher level. That seems to be one of the justifications for pushing for a higher level of owner occupancy within a neighborhood, so that particular fact does not surprise her. She said she had not been inside the properties. However, all three appraisers went into the property.

Ms. Harris commented that the review appraiser for 1607 had not been inside 1607, but she was the appraiser on 1605.

Mr. Lilly said he would like to offer a friendly amendment to the motion on the floor, that being that the Commission authorize staff to offer the original appraised value of $30,000 for 1607 McConnell Road.

Ms. Coad said the only difference was one was owner-occupied and the other was a rental. She didn't want to pay somebody for not keeping up their property.

Mr. Lilly said Ms. Coad did not accept his friendly amendment and asked that a vote be called on the motion on the floor.

Vice Chair Wood called for a vote on the motion that offered the last appraised value of $27,000 for 1607 McConnell Road. The Commission voted 1-2 in denial of the motion. (Ayes: Coad. Nays: Wood, Lilly.)

Mr. Lilly moved that the Commission authorize staff to offer the original appraised value of $30,000 for the property at 1607 McConnell Road, seconded by Mr. Wood. The Commission voted 2-1 in favor of the motion. (Ayes: Wood, Lilly. Nays: Coad.)

7. ADDITIONAL BUSINESS.

Ms. Arkin said she did want to inform the Commission that at the next meeting staff would be bringing to it some small revisions in the appraisal process for its recommendation and the Commissioners' input.

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There being no further business before the Commission, the meeting was adjourned at 6:57 p.m.

Respectfully submitted,

Dan Curry, Assistant Secretary
Greensboro Redevelopment Commission

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